

## Message Text

LIMITED OFFICIAL USE

PAGE 01 PORT A 02339 01 OF 02 122040Z

67

ACTION ARA-10

INFO OCT-01 IO-10 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 FEA-01

/101 W

----- 084030

R 121845Z SEP 75

FM AMEMBASSY PORT AU PRINCE

TO SECSTATE WASHDC 651

INFO USMISSION GENEVA

LIMITED OFFICIAL USE SECTION 01 OF 02 PORT AU PRINCE 2339

GENEVEA FOR MTN DELEGATION

E.O. 11652: NA

TAGS: EFIN ETRD GATT HA

SUBJ: HAITIAN BALANCE OF PAYMENTS

REF: A. STATE 199613; B. PORT AU PRINCE 1861; C. STATE 210896

1. SUMMARY: HAITI HAS BEEN DESIGNATED AS ONE OF COUNTRIES MOST SERIOUSLY AFFECTED BY PETROLEUM PRICE INCREASES. COMBINATION OF INCREASED COSTS OF PETROLEUM, WHEAT AND SOYBEAN OIL, PLUS INABILITY TO INCREASE EXPORTS, HAS CAUSED STEADY DRAIN ON HAITIAN RESERVES OVER PAST TWO YEARS, AND THEY HAD SUNK TO NEGATIVE NET POSITION BY DECEMBER 1974. ALTHOUGH NO STATISTICS ARE AS YET AVAILABLE FOR 1975, BEST ESTIMATES ARE THAT TOTAL FOREIGN EXCHANGE LOSSES FOR CALENDAR 1975 WILL BE APPROXIMATELY \$10 MILLION. U.S. POLICY DECISIONS IN FINANCIAL, TRADE AND BILATERAL ASSISTANCE AREAS SHOULD TAKE INTO ACCOUNT FACT THAT GOH WILL NEED SHORT-TERM BALANCE OF PAYMENTS ASSISTANCE, INCREASED ACCESS TO FOREIGN MARKETS AND ASSISTANCE IN DEVELOPING LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 PORT A 02339 01 OF 02 122040Z

AGRICULTURAL PRODUCTION DURING NEXT FEW YEARS. END SUMMARY.

2. THERE ARE NO STATISTICS AVAILABLE ON HAITIAN BALANCE OF PAYMENTS FOR THE FIRST HALF OF CALENDAR YEAR 1975. HOWEVER, THE EMBASSY HAS RECEIVED A REVISED PROJECTION OF HAITIAN BALANCE OF PAYMENTS FOR ENTIRE CALENDAR YEAR PREPARED BY THE IMF RESIDENT REPRESENTATIVE AND THE NATIONAL BANK. THIS IS A REVISION OF THE ESTIMATE PREPARED BY THE VISITING IMF TEAM IN APRIL OF THIS YEAR AND INCLUDED IN REF B ABOVE.

3. PROJECTED B/P FOR CALENDAR YEAR 1975 (IN MILLIONS OF U.S. DOLLARS):

CURRENT ACCOUNT

NET EXPORTS OF PROCESSING INDUSTRY		5.5
OTHER EXPORTS	69.6	
OTHER IMPORTS	MINUS 107.9	
TRAVEL	12.2	
UVESTMENT INCOME	MINUS 12.2	
OTHER SERVICES	MINUS 30.5	
PRIVATE TRANSFERS	7.3	
CURRENT ACCOUNT BALANCE	MINUS 56.0	

CAPITAL

PRIVATE CAPITAL AND ERRORS AND OMISSIONS		12.5
PUBLIC SECTOR CAPITAL	15.6	
PUBLIC SECTOR TRANSFERS	17.1	
CAPITAL ACCOUNT BALANCE	PLUS 45.2	

LOSS OF INTERNATIONAL RESERVES FOR YEAR ARE THUS PROJECTED AT \$10.8 MILLION.

4. BREAKDOWN OF PROJECTED RECEIPTS FROM MERCHANDISE TRADE FOR CALENDAR YEAR, FOB IN MILLIONS OF DOLLARS IS AS FOLLOWS:

EXPORTS - 1975	U.S. \$ MILLIONS
COFFEE	22.6
SUGAR	7.0
SISAL	4.0
LIMITED OFFICIAL USE	

LIMITED OFFICIAL USE

PAGE 03 PORT A 02339 01 OF 02 122040Z

MOLASSES	1.5
ESSENTIAL OILS	6.0
MEAT	0.8
CORDAGE	7.0
COCOAİK	2.0
HANDICRAFT	6.0
BAUXITE (INCLUDING TAXES, AND SPECIAL PAYMENTUCTO GOVERNEMENT AND DOLLAR	

EXPENDITURES)	12.7	
	69.6	
NET EXPORTS FROM PROCESSING INDUSTRY	5.5	
TOTAL EXPORTS	75.1	

## IMPORTS - 1975

PETROLEUM	16.5	
WHEAT	14.4	
OTHER FOOD	21.0	
FERTILIZER	1.0	
TELECOMMUNICATIONS EQUIPMENT	5.0	
OTHER	50.0	
TOTA		
X IMPORTS	107.9	
MERCHANDISE ACCOUNT	MINUS	32.8

5. ESTIMATE OF HAITIAN B/P FOR CALENDAR YEAR 1974 CAN BE FOUND IN INTERNATIONAL MONETARY FUND DOCUMENT SM/75/163 (TABLE XIII). UNFORTUNATELY, ALL REPORTS ON PREVIOUS YEARS ARE PREPARED ON BASIS OF HAITIAN FISCAL YEAR (OCTOBER THROUGH SEPTEMBER 30). THESE ARE AVAILABLE IN BOTH REF IMF DOCUMENT AND IN IMF PUBLICATION "INTERNATIONAL FINANCIAL STATISTICS". REVIEW OF STATISTICS SHOWS THAT SINCE 1972, HAITIAN ANNUAL DEFICIT ON MERCHANDISE ACCOUNT HAS INCREASED FROM \$18 MILLION TO \$32.8 MILLION. COST OF PETROLEUM PRODUCTS HAS, FOR EXAMPLE, INCREASED FROM ABOUT \$3.8 MILLION PER YEAR TO AN ESTIMATED \$16.5 MILLION. FOOD HAS GONE FROM \$12.1 MILLION TO AN ESTIMATED \$35.4 MILLION. INCOME FROM TOURISM, REMITTANCES AND CAPITAL TRANSFERS HAS NOT INCREASED SUFFICIENTLY TO COVER DEFICIT.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 PORT A 02339 02 OF 02 122104Z

67

ACTION ARA-10

INFO OCT-01 IO-10 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 FEA-01

/101 W

----- 084509

R 121845Z SEP 75  
FM AMEMBASSY PORT AU PRINCE  
TO SECSTATE WASHDC 652  
INFO USMISSION GENEVA

LIMITED OFFICIAL USE FINAL SECTION OF 02 PORT AU PRINCE 2339

6. IN PREPARING PROJECTION, ESTIMATES OF QUANTITIES AND EXPECTED VALUES OF EXPORTS AND IMPORTS WERE OBTAINED FROM KNOWLEDGEABLE INDUSTRY SOURCES. IT WAS ASSUMED THAT INCOME FROM INVESTMENT AND TOURISM WOULD REMAIN CLOSE TO PREVIOUS YEARS TOTALS. EMBASSY'S ASSESSMENT OF PROJECTION IS THAT SOME IMPROVEMENTS COULD BE MADE IN PROJECTIONS OF INCOME FROM EXPORTS AND IMPORTS BUT THAT ON WHOLE THESE CHANGES WOULD BALANCE OUT LEAVING PROJECTED LOSS FOR YEAR AT SAME LEVEL. FOR EXAMPLE, EMBASSY WOULD ESTIMATE BAUXITE REVENUES AT \$10 MILLION RATHER THAN \$12 MILLION. IN ADDITION, PROJECTION ASSUMES THAT 1976 PL 480 TITLE I AGREEMENT WILL BE SIGNED IN NEAR FUTURE AND THAT SHIPMENT OF WHEAT VALUED AT \$3.3 MILLION CAN BE MADE BY END OF DECEMBER. THIS NOW SEEMS UNLIKELY ON OTHER HAND, DROP IN TOTAL IMPORTS MAY BE EVEN GREATER THAN PROJECTED. LATEST REPORTS INDICATE THAT IMPORTS OF PRIVATE SECTOR HAVE DROPPED PRECIPITOUSLY IN RECENT MONTHS, AND ARE LIKELY TO REMAIN LOW UNTIL AT LEAST NOVEMBER.

7. IN LAST SIX YEARS, THE HIGHEST AVERAGE LEVEL BY HAITIAN NET INTERNATIONAL RESERVES WAS \$24.3 MILLION, REACHED IN FEBRUARY  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 PORT A 02339 02 OF 02 122104Z

1973 WITH U.S. \$21.3 MILLION HELD BY NATIONAL BANK AND \$3 MILLION BY PRIVATE BANKS. THERE WAS A SMALL LOSS IN CALENDAR YEAR 1973, FOLLOWED BY A SIZEABLE LOSS (US \$17.9 MILLION) IN 1974 BRINGING NET RESERVES TO A NEGATIVE POSITION. THUS THE PROJECTED 1975 LOSS OF APPROXIMATELY \$10 MILLION ONLY COMPOUNDS AN ALREADY SERIOUS PROBLEM. FOR PAST TWELVE MONTHS, HAIT HAS HAD TO RELY ON IMF STANDBYS AND SPECIAL OIL FACILITIES, AS WELL AS ADVANCES FROM COMMERCIAL BANKS TO MAINTAIN ITS SHORT-TERM POSITION

8. GOH IS STILL MANAGING TO STICK TO TRADITIONAL POLICY, ENDORSED BY IMF, OF PEGGING GOURDE TO US\$V  
ZST 5:1 AND MINIMIZING  
COMK HS ON FOREIGN EXCHANGE AND RESTRICTIONS ON ESSENTIAL IMPORTS (APPROXIMATELY 50 PERCENT OF WHICH COME FROM US).  
NO OTHER FOREIGN EXCHANGE/TRADE POLICY SEEM LIKELY TO RECTIFY HAITI'S B/P IMBALANCE MATERIALLY BECAUSE OF SUPPLY AND DEMAND INELASTICITIES IN HAITI'S FOREIGN TRADE. IN FACT, DEVALUATION

OR EXCHANGE/TRADE RESTRICTIONS WOULD HASTEN CAPITAL FLIGHT AND CAUSE SITUATION TO DETERIORATE. ACCORDINGLY, UNLESS PETROLEUM PRICES DROP DRASTICALLY, HAITI WILL CONTINUE NEED SHORT-TERM B/P ASSISTANCE FOR AT LEAST NEXT TWO YEARS, AND WILL UNDOUBTEDLY REQUEST THAT AT LEAST PART OF THIS AID BE IN GRANT FORM (AS PROPOSED RECENTLY FOR IMF ASSISTANCE). IN MEDIUM-TERM, INCREASED PRODUCTION OF AGRICULTURAL MATERIALS, BOTH FOR HOME CONSUMPTION AND FOR EXPORT, INCREASED EXPORTS OF MANUFACTURED GOODS, AND NNCCXASA INVESTMENT AND TOURISM WILL BE REQUIRED TO MAINTAIN PRECARIOUS BALANCE. POSSIBILITIES OF INCREASED EXPORTS OF MANUFACTURED GOODS WILL DEPEND UPON ECONOMIC UPSWING IN U.S. AND CONTINUED U.S. WILLINGNESS TO ACCEPT INCREASING QUANTITIES OF PRODUCTS OF LABOR-INTENSIVE ASSEMBLY INDUSTRY. BP INCREASED AGRICULTURAL PRODUCTION WILL DEPEND UPON GRANT, LOAN AND TECHNICAL ASSISTANCE FROM OTHER COUNTRIES AND FROM INTERNATIONAL LENDING AGENCIES, AS WELL AS INCREASED INVESTMENT FROM THE GOH.

9. HAITIAN BALANCE OF PAYMENTS SITUATION HAS RELEVANCE FOR U.S. POLICY DECISIONS IN FOLLOWING AREAS: (A) IN TRADE AREA, SITUATION MIGHT AFFECT DECISIONS ON EXTENMAOF RECIPROCITY ON TARIFF CONCESSIONS EXPECTED FROM HAITI DURING MTN, THSMOERNITY OF HAITIAN LOW-WAGE EXPORTS (INCLUDING TEXTILES) WHICH THE U.S. LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 PORT A 02339 02 OF 02 122104Z

WILL BE WILLING TO ACCEPT, AND DECISIONS ON LIST OF PRODUCTS TO BE INCLUDED IN GSP. FOR EXAMPLE, DECISION MUST BE MADE ON WHETHER OR NOT SPECIAL PREFERENCES CAN BE OFFERED ON RUM IMPORTS.) (B) IN FINANCIAL AREA, HAITIAN SITUATION REINFORCES PRESENT U.S. POLICY OF URGING INTERNATIONAL AGENCIES TO PROVIDE INCREASED AID, INCLUDING GRANT B/P ASSISTANCE TO MSA COUNTRIES. IT ALSO SUGGESTS THAT U.S. MIGHT KEEP OPEN THE POSSIBILITY OF EXIMBANK CREDITS TO HAITI. IF A SPECIFIC CASE ARISES INVOLVING FINANCING OF EQUIPMENT FOR A SOLID PRIVATE INVESTMENT PROJECT. (C) WITH RESPECT TO U.S. POLICY ON DIRECT AID TO HAITI, CURRENT B/P SITUATION REINFORCES PREVIOUS POLICY DECISIONS TO DEVOTE INCREASED U.S. ASSISTANCE TO AGRICULTURAL SECTOR. IT ALSO SUPPORTS QUICK AND GENEROUS ACTION BY U.S. ON THE PROPOSED PL 480 TITLE I AGREEMENT FOR FY 76, PLUS CONTINUATION OF PROGRAM IN FY 77, SINCE THIS PROGRAM HAS MUCH MORE IMMEDIATE EFFECT ON B/P SITUATION THAN OTHER AID LOANS AND GRANTS. THCSO

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** BALANCE OF PAYMENTS DATA  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 12 SEP 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** CunninFX  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975PORTA02339  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750317-0238  
**From:** PORT AU PRINCE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750958/aaaabyrr.tel  
**Line Count:** 272  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION ARA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 5  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 STATE 199613, 75 PORT AU PRINCE 1861, 75 STATE 210896  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** CunninFX  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 20 JUN 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <20 JUN 2003 by CunninFX>; APPROVED <06 NOV 2003 by CunninFX>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** HAITIAN BALANCE OF PAYMENTS  
**TAGS:** EFIN, ETRD, HA, GATT  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006